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- (g) Discuss whether selling a state monopoly, such as Pemex, to the private sector would benefit consumers in Mexico. [6]**

Up to 4 marks for why it might:

- may introduce more competition (1) this may lower prices (1)
- may provide a greater profit incentive (1) this may raise efficiency (1) encourage firms to produce what consumers want (1) lower costs of production (1)
- may increase investment (1) this could improve the quality of products (1)
- firms knowing they will not be supported by the government (1) may be forced to be more efficient (1)
- may be easier to raise finance (1) can sell shares (1)

Up to 4 marks for why it might not:

- a private sector monopoly may abuse market power (1) may restrict supply (1) raise price (1) reduce quality (1)
- private sector firms are unlikely to charge prices below cost to help poor consumers (1)
- private sector firms may not take into account external costs and benefits/welfare (1) so they may under or over-produce (1)
- the state may have financial resources (1) be able to invest on a larger scale (1).

- 2 (a) Define ‘resources’. [2]**

- factors of production/inputs (1) used to produce goods and services (1)
- identification of type of factor of production – land (natural resource), labour (human resource), capital, entrepreneur (1)

- (b) Explain how international travel may create external costs. [4]**

- external costs are harmful effects (1) imposed on third parties (1) social costs minus private costs (1)
- reason why international travel may cause negative externalities e.g. planes burning fuel creating carbon dioxide (1)
- examples of external costs caused by international travel e.g. air pollution, noise pollution, visual pollution, congestion, damage to wildlife and damage to the health of those not travelling (up to 2 marks)

- (c) Analyse how an increase in international travel may influence incomes. [6]**

- likely to increase incomes (1)
- more jobs are likely to be created in the tourist/travel industry (1) previously unemployed people who gain jobs will now have an income (1) people already in the industry may gain higher wages (1)
- more jobs are likely to be created in industries linked to the tourist/travel industry e.g. insurance, banking, retailing (1)
- the increased spending of people in the tourist/travel industry (1) is likely to increase demand for a range of other goods and services (1) leading to higher employment and incomes in other industries (1)
- increases geographical mobility of labour (1) workers can move in search of higher incomes (1)
- more people visiting a country may raise government tax revenue (1) enabling the government to pay higher wages to workers in the public sector (1).

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- holidays/business at home may be a substitute for holidays/business abroad (1) if e.g. more people holiday abroad, incomes at home may fall due to fall in demand for domestic holidays (1).

(d) Discuss whether demand for international travel is likely to continue to increase. [8]

Up to 5 marks for why it might:

- if incomes rise (1) international travel is a luxury good (1) business travel as well as tourism is likely to rise (1)
- if the price of international travel falls (1) demand is likely to rise/extend (1)
- a rise in population (1) more people to travel (1)
- a fall in the price of complements (1) for instance, hotel prices (1)
- people may travel for a better future (1) in search of better employment opportunities (1)

Up to 5 marks for why it might not:

- incomes may fall (1) there may be a global recession (1)
- price may rise (1) causing a contraction in demand (1)
- population may fall (1) fewer people to travel (1)
- a rise in the price of complements (1) for instance taxi fares to airports/holiday insurance (1)
- accidents or fear of terrorism may dissuade people from travel (1)
- rise in availability of substitutes e.g. Skype, videoconferencing (1)

3 (a) Define 'supply'. [2]

The willingness (1) and ability to sell a product/good(s) or service(s) (1)

The idea of making a product available/putting it on the market/producing a product (1)

(b) Explain two ways a government could influence the price of a product. [4]

One mark each for each of two ways identified:

- a subsidy
- a tax/indirect tax/tariff
- the setting of a maximum price
- the setting of a minimum price
- changing the price of product produced by the public sector

One mark for each of two explanations:

- a subsidy will be likely to lower price (as a payment is given to producers)
- a tax/tariff will be likely to raise prices (as an extra cost is imposed on firms)
- a firm would not be able to charge more than a maximum price
- a firm would not be able to charge less than a minimum price
- the government may produce a range of products e.g. energy

(c) Analyse why demand for a product may become more price-elastic. [6]

- there may be closer substitutes (1) making people more willing to switch between products (1)
- the price may rise (1) as products more expensive, people become more sensitive to price changes (1)

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- the product may become less of a necessity/more of a luxury (1) this would mean a change in price would have more impact on demand (1)
- the product may be taking up a larger proportion of people's income (1) this would mean that a change in the price would be more noticeable (1)
- the product has become less addictive (1) this would mean that people will become more willing to alter their demand (1)
- it may become easier to postpone buying the product (1) this would mean that a rise in the price of the product would cause a greater percentage fall in demand (1)
- a longer time period (1) gives people more time to find substitutes (1)

Note: maximum of 3 marks for a static approach e.g. luxuries, and products with a high number of substitutes, and products whose purchase would take up a large proportion of income would be likely to have elastic demand.

(d) Discuss whether the wages of all workers will increase during a period of economic growth. [8]

Up to 5 marks for why they might:

- output will be increasing (1) this will raise demand for labour (1) putting upwards pressure on wages (1)
- higher demand for labour will reduce unemployment (1) this will increase competition for workers (1) firms may have to raise wages (1) to attract workers (1) unions will have stronger bargaining power (1)
- higher output will increase the wages paid to workers on piece-rates (1) pay linked to output (1)
- economic growth may be associated with higher profits/higher revenue (1) increasing firms' ability to pay higher wages (1)

Up to 5 marks for why they might not:

- whilst total demand may be increasing (1) demand for certain products/skills may be falling (1) structural unemployment may lower the bargaining power certain group of workers (1)
- economic growth may arise due to advances in technology/higher investment (1) this may increase the demand for skilled workers relative to unskilled workers (1) this may reduce the wages of unskilled workers (1)
- economic growth may be combined with inflation (1) workers' wages may not rise in line with inflation (1)
- some workers may have long term contracts with set wages (1) it may take time for their wage rates to adjust (1)
- the supply of some workers may increase by more than others (1)
- economic growth is likely to involve change (1) workers who are geographically or occupationally immobile may have to stay in low paid jobs (1)
- may just increase employment (1)

4 (a) Define 'productivity'. [2]

Output per worker/factor (1) per hour/time period (1)

Note: second mark is dependent on the candidate gaining the first mark.